

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charter Township of Grass Lake
Jackson County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2004

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Grass Lake, Michigan**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Charter Township of Grass Lake, Michigan, as of December 31, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Grass Lake, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter Township of Grass Lake, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2004.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on pages 25 - 28, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Charter Township of Grass Lake, Michigan
Page 2

The Charter Township of Grass Lake, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Sigfried Crandall P.C.

March 10, 2005

BASIC FINANCIAL STATEMENTS

Charter Township of Grass Lake
STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 820,617
Receivables (net)	405,254
Prepaid expenses	<u>46,745</u>
Total current assets	<u>1,272,616</u>
Noncurrent assets:	
Receivables	1,198,174
Capital assets (net of accumulated depreciation)	<u>1,501,989</u>
Total noncurrent assets	<u>2,700,163</u>
Total assets	<u>3,972,779</u>
LIABILITIES	
Current liabilities:	
Payables	85,863
Deferred revenue	388,597
Long-term debt	<u>94,169</u>
Total current liabilities	<u>568,629</u>
Non-current liabilities:	
Long-term debt	<u>1,612,366</u>
Total liabilities	<u>2,180,995</u>
NET ASSETS	
Invested in capital assets	987,989
Restricted for:	
Public safety - fire protection	204,782
Public safety - inspections	41,092
Cemetery perpetual care	9,890
Debt service	30,935
Unrestricted	<u>517,096</u>
Total net assets	<u>\$ 1,791,784</u>

See notes to financial statements

Charter Township of Grass Lake
STATEMENT OF ACTIVITIES
Year ended December 31, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	
Governmental activities:				
Legislative	\$ 13,699	\$ -	\$ -	\$ (13,699)
General government	296,362	20,872	-	(275,490)
Public safety	238,015	81,834	-	(156,181)
Public works	69,193	-	7,097	(62,096)
Community and economic development	22,500	13,845	-	(8,655)
Interest on long-term debt	<u>94,585</u>	<u>-</u>	<u>-</u>	<u>(94,585)</u>
Total governmental activities	<u>\$ 734,354</u>	<u>\$ 116,551</u>	<u>\$ 7,097</u>	<u>(610,706)</u>
General revenues:				
Property taxes				371,900
State shared revenue				232,033
Franchise fees				2,711
Interest income				65,793
Other				<u>18,837</u>
Total general revenues				<u>691,274</u>
Change in net assets				80,568
Net assets - beginning				<u>1,711,216</u>
Net assets - ending				<u>\$ 1,791,784</u>

See notes to financial statements

Charter Township of Grass Lake
BALANCE SHEET - governmental funds
December 31, 2004

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Building</u>	<u>Wolf Lake Sewer District</u>	<u>Water District</u>	<u>Total governmental funds</u>
ASSETS						
Cash	\$ 367,198	\$ 301,809	\$ 26,388	\$ 43,871	\$ 35,935	\$ 775,201
Receivables	<u>151,380</u>	<u>115,263</u>	<u>23,611</u>	<u>662,535</u>	<u>650,639</u>	<u>1,603,428</u>
Total assets	<u>\$518,578</u>	<u>\$ 417,072</u>	<u>\$ 49,999</u>	<u>\$ 706,406</u>	<u>\$686,574</u>	<u>\$ 2,378,629</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Payables	\$ 18,637	\$ 5,031	\$ -	\$ 43,871	\$ 5,000	\$ 72,539
Deferred revenue	<u>131,339</u>	<u>213,946</u>	<u>43,312</u>	<u>662,535</u>	<u>650,639</u>	<u>1,701,771</u>
Total liabilities	<u>149,976</u>	<u>218,977</u>	<u>43,312</u>	<u>706,406</u>	<u>655,639</u>	<u>1,774,310</u>
Fund balances:						
Reserved for perpetual care	9,890	-	-	-	-	9,890
Unreserved:						
Designated for capital purchases	-	55,308	-	-	-	55,308
Undesignated	<u>358,712</u>	<u>142,787</u>	<u>6,687</u>	<u>-</u>	<u>30,935</u>	<u>539,121</u>
Total fund balances	<u>368,602</u>	<u>198,095</u>	<u>6,687</u>	<u>-</u>	<u>30,935</u>	<u>604,319</u>
Total liabilities and fund balances	<u>\$518,578</u>	<u>\$ 417,072</u>	<u>\$ 49,999</u>	<u>\$ 706,406</u>	<u>\$686,574</u>	

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	1,501,989
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	46,745
Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.	1,313,174
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,706,535)
Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.	(9,000)
Net assets of the Building Inspections Fund that have been combined with those of <i>governmental activities</i> .	<u>41,092</u>
Net assets of <i>governmental activities</i>	<u>\$ 1,791,784</u>

Charter Township of Grass Lake

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended December 31, 2004

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Building</u>	<u>Wolf Lake Sewer District</u>	<u>Water District</u>	<u>Total governmental funds</u>
REVENUES						
Taxes	\$ 116,761	\$ 198,524	\$ 56,615	\$ -	\$ -	\$ 371,900
Licenses and permits	13,845	-	-	-	-	13,845
State grants	239,130	-	-	-	-	239,130
Charges for services	20,872	17,179	-	-	-	38,051
Interest and rentals	11,357	4,463	699	49,274	-	65,793
Other	16,643	513	-	97,015	74,989	189,160
Total revenues	<u>418,608</u>	<u>220,679</u>	<u>57,314</u>	<u>146,289</u>	<u>74,989</u>	<u>917,879</u>
EXPENDITURES						
Legislative	13,699	-	-	-	-	13,699
General government	286,120	-	-	-	-	286,120
Public safety	-	131,671	-	-	-	131,671
Public works	69,193	-	-	-	-	69,193
Community and economic development	22,500	-	-	-	-	22,500
Capital outlay	486	19,963	748,221	-	-	768,670
Debt service:						
Principal	-	-	-	97,015	25,000	122,015
Interest	-	-	11,144	49,274	25,167	85,585
Total expenditures	<u>391,998</u>	<u>151,634</u>	<u>759,365</u>	<u>146,289</u>	<u>50,167</u>	<u>1,499,453</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>26,610</u>	<u>69,045</u>	<u>(702,051)</u>	<u>-</u>	<u>24,822</u>	<u>(581,574)</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	-	514,000	-	-	514,000
Transfers in	-	-	194,738	-	-	194,738
Transfers out	-	(194,738)	-	-	-	(194,738)
Total other sources (uses)	<u>-</u>	<u>(194,738)</u>	<u>708,738</u>	<u>-</u>	<u>-</u>	<u>514,000</u>
NET CHANGES IN FUND BALANCES	<u>26,610</u>	<u>(125,693)</u>	<u>6,687</u>	<u>-</u>	<u>24,822</u>	<u>(67,574)</u>
FUND BALANCES - BEGINNING	<u>341,992</u>	<u>323,788</u>	<u>-</u>	<u>-</u>	<u>6,113</u>	<u>671,893</u>
FUND BALANCES - ENDING	<u>\$ 368,602</u>	<u>\$ 198,095</u>	<u>\$ 6,687</u>	<u>\$ -</u>	<u>\$ 30,935</u>	<u>\$ 604,319</u>

See notes to financial statements

Charter Township of Grass Lake
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FUND BALANCE - governmental funds (Continued)
Year ended December 31, 2004

Net change in fund balances - total governmental funds	\$ (67,574)
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Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$768,670) exceeded depreciation (\$63,958) in the current period.	704,712
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The net revenue of the Building Inspections Fund is reported with governmental activities.	6,519
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The change in prepaid expenses is not recorded in the governmental funds.	5,508
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Interest expense is recorded when incurred in the statement of activities.	(9,000)
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Collections on long-term receivables provide current financial resources to the governmental funds, but the collections reduce receivables in the statement of net assets.	(167,612)
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Loan proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of contract principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$514,000) exceeded repayments (\$122,015) in the current period.	(391,985)
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Change in net assets of <i>governmental activities</i>	<u>\$ 80,568</u>
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Charter Township of Grass Lake
STATEMENT OF NET ASSETS - proprietary fund
December 31, 2004

	<u>Building Inspections</u>
ASSETS	
Cash	<u>\$ 45,416</u>
LIABILITIES	
Payables	<u>4,324</u>
NET ASSETS	41,092
Amounts reported for business-type activities in the government-wide statement of net assets (page 5) are different because:	
Assets and liabilities of the Building Inspections Fund have been combined with those of <i>governmental activities</i> .	<u>(41,092)</u>
Net assets of business-type activities	<u>\$ -</u>

See notes to financial statements

Charter Township of Grass Lake
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - *proprietary fund*
Year ended December 31, 2004

	<u>Building Inspections</u>
OPERATING REVENUES	
Charges for services - licenses and permits	\$ 64,655
OPERATING EXPENSES	
Salaries and fringe benefits	5,804
Contracted services	<u>52,332</u>
Total operating expenses	<u>58,136</u>
CHANGE IN NET ASSETS	6,519
NET ASSETS - BEGINNING	<u>34,573</u>
NET ASSETS - ENDING	<u><u>\$ 41,092</u></u>
CHANGE IN NET ASSETS	\$ 6,519
Amounts reported for business-type activities in the government-wide statement of activities (page 6) are different because:	
Revenues and expenses of the Building Inspections Fund have been combined with those of the <i>governmental activities</i> .	
	<u>(6,519)</u>
Change in net assets of business-type activities	<u><u>\$ -</u></u>

See notes to financial statements

Charter Township of Grass Lake
STATEMENT OF CASH FLOWS - proprietary fund
Year ended December 31, 2004

	<u>Building Inspections</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 64,655
Payments for contracted services	(52,218)
Payments for salaries and fringe benefits	<u>(5,804)</u>
Net cash provided by operating activities	6,633
CASH - BEGINNING	<u>38,783</u>
CASH - ENDING	<u><u>\$ 45,416</u></u>

Reconciliation of change in net asset to net cash provided by operating activities:

Change in net assets	\$ 6,519
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in payables	<u>114</u>
Net cash provided by operating activities	<u><u>\$ 6,633</u></u>

See notes to financial statements

Charter Township of Grass Lake
STATEMENT OF FIDUCIARY NET ASSETS - *fiduciary funds*
December 31, 2004

	<u>Agency funds</u>
ASSETS	
Cash	<u>\$ 1,395,050</u>
LIABILITIES	
Due to other governmental units	<u>1,395,050</u>

See notes to financial statements

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Grass Lake, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present the activities of the Township. There are no component units, legally separate entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operating Fund accounts for the financial resources used for the operation and maintenance of the Township Fire Department. Revenues are primarily derived from property taxes.

The Fire Building Fund accounts for the financial resources used for the Department. Revenues are primarily derived from property taxes.

The Wolf Lake Sewer District accounts for the financial resources used for payments of long-term contractual obligations to the Jackson County Drain Commission. Revenues are primarily derived from special assessments.

The Water District Fund accounts for the financial resources used for payments of long-term contractual obligations to Jackson County. Revenues are primarily derived from special assessments.

The Township reports a single proprietary fund, its Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township reports a single fiduciary fund type. The Township's agency funds account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 10 years
Vehicles	10 - 20 years

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

The 2003 taxable valuation of the Township totaled \$166,449,811, on which ad valorem taxes levied consisted of the following:

<i>Fund</i>	<i>rate</i>	<i>Purpose</i>	<i>raised</i>
General	0.7333	Operating	\$ 122,095
Fire Operating	1.2819	Operating	213,946
Fire Building	0.256	Operating	43,312

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. There are no significant budget variations.

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

The Township's deposits were reported in the basic financial statements in the following categories:

	<i>Governmental activities</i>	<i>Fiduciary funds</i>	<i>Totals</i>
Cash	<u>\$ 820,617</u>	<u>\$ 1,395,050</u>	<u>\$ 2,215,667</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At December 31, 2004, the Township has deposits with a carrying amount of \$2,215,667 and a bank balance of \$2,636,430. Of the bank balance, \$209,587 is covered by federal depository insurance and \$2,426,843 is uninsured. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds are as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Totals</i>
General	\$ 69,871	\$ -	\$ 81,509	\$ 151,380
Fire Operating	115,263	-	-	115,263
Fire Building	23,611	-	-	23,611
Wolf Lake Sewer	-	662,535	-	662,535
Water District	-	650,639	-	650,639
Totals	<u>\$ 208,745</u>	<u>\$ 1,313,174</u>	<u>\$ 81,509</u>	<u>\$ 1,603,428</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 1,198,174</u>	<u>\$ -</u>	<u>\$ 1,198,174</u>

All receivables are considered fully collectible.

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES (Continued):

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unearned Property taxes</u>	<u>Unavailable Special assessments</u>	<u>Totals</u>
General	\$ 131,339	\$ -	\$ 131,339
Fire Operating	213,946	-	213,946
Fire Building	43,312	-	43,312
Wolf Lake Sewer	-	662,535	662,535
Water District	-	650,639	650,639
Totals	\$ 388,597	\$ 1,313,174	\$ 1,701,771

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 198,769	\$ -	\$ -	\$ 198,769
Capital assets being depreciated:				
Buildings	340,050	708,963	-	1,049,013
Equipment	222,500	59,707	-	282,207
Vehicles	775,600	-	-	775,600
Subtotal	1,338,150	768,670	-	2,106,820
Less accumulated depreciation for:				
Buildings	(152,300)	(12,286)	-	(164,586)
Equipment	(84,217)	(16,067)	-	(100,284)
Vehicles	(503,125)	(35,605)	-	(538,730)
Subtotal	(739,642)	(63,958)	-	(803,600)
Total capital assets being depreciated (net)	598,508	704,712	-	1,303,220
Governmental activities capital assets, net	\$ 797,277	\$ 704,712	\$ -	\$ 1,501,989

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:

General government	\$ 10,885
Public safety	<u>53,073</u>
Total governmental activities	<u>\$ 63,958</u>

NOTE 6 - LONG-TERM DEBT:

\$565,000 2002 Jackson County contract payable - payable in annual installments ranging from \$25,000 to \$50,000, plus interest at 3.40% to 6.00%; final payment due April 2022. \$ 530,000

The Township has a contractual agreement to remit to the Jackson County Drain Commission all principal and interest collections arising from special assessments levied on properties served by the Commission in the Wolf Lake sewer district. In the event that the Commission is unable to meet its debt service requirements, an assessment may be made against the Township. The Township has pledged its full faith and credit for the payment of its share (23.27%) of any such deficiency. 662,535

\$514,000 2004 installment purchase agreement - payable in annual installments ranging from \$25,000 to \$54,000, plus interest at 3.50%; final payment due May 2017 514,000

\$1,706,535

Long-term debt activity for the year ended December 31, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
2002 Contract payable	\$ 555,000	\$ -	\$ (25,000)	\$ 530,000	\$ 25,000
Contractual agreement	759,550	-	(97,015)	662,535	44,169
2004 Installment purchase agreement	<u>-</u>	<u>514,000</u>	<u>-</u>	<u>514,000</u>	<u>25,000</u>
Total governmental activities	<u>\$ 1,314,550</u>	<u>\$ 514,000</u>	<u>\$ (122,015)</u>	<u>\$ 1,706,535</u>	<u>\$ 94,169</u>

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT (Continued):

At December 31, 2004, debt service requirements on long-term debt are follows:

<u>Year ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 94,169	\$ 72,209
2006	94,169	68,008
2007	94,169	64,008
2008	99,169	60,113
2009	99,169	56,087
2010 - 2014	525,845	216,481
2015 - 2019	559,845	84,389
2020 - 2022	<u>140,000</u>	<u>25,403</u>
Totals	<u>\$ 1,706,535</u>	<u>\$ 646,698</u>

NOTE 7 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Inter-govern- mental</u>	<u>Sub- total</u>	<u>Interest</u>	<u>Total</u>
General	\$ 10,924	\$ 7,713	\$ 18,637		
Fire Operating	5,031	-	5,031		
Wolf Lake Sewer	-	43,871	43,871		
Water District	-	5,000	5,000		
Building Inspections	<u>4,324</u>	<u>-</u>	<u>4,324</u>		
Total	<u>\$ 20,279</u>	<u>\$ 56,584</u>	<u>\$ 76,863</u>	<u>\$ 9,000</u>	<u>\$ 85,863</u>

NOTE 8 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended December 31, 2004, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Fire Building	<u>\$ 194,738</u>	Fire Operating	<u>\$ 194,738</u>

The transfer to the Fire Building Fund represents financing for costs associated with the construction of a new fire station.

Charter Township of Grass Lake
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$7,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan, plus investment earnings. Employees are eligible to participate one year from the date of employment. The Township's contributions are fully vested after three years. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$12,343 for the year ended December 31, 2004.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective January 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets as previously reported	
General, special revenue, and debt service and trust funds	\$ 671,893
Capital assets used in <i>governmental activities</i> are not financial resources and therefore, are not reported in the funds.	797,277
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	41,237
Special assessments receivable are not available to pay for current period's expenditures and, therefore, are deferred in the funds.	1,480,786
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,314,550)
Net assets of the Building Inspections Fund that have been combined with those of <i>governmental activities</i> .	<u>34,573</u>
Net assets as restated	<u>\$ 1,711,216</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Grass Lake
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 115,700	\$ 115,700	\$ 116,761	\$ 1,061
Licenses and permits	6,850	6,850	13,845	6,995
State grants	252,000	236,532	239,130	2,598
Charges for services	19,050	19,050	20,872	1,822
Interest and rentals	7,000	7,000	11,357	4,357
Other	13,115	13,115	16,643	3,528
Total revenues	<u>413,715</u>	<u>398,247</u>	<u>418,608</u>	<u>20,361</u>
EXPENDITURES				
Legislative	<u>14,000</u>	<u>13,250</u>	<u>13,699</u>	<u>(449)</u>
General government:				
Supervisor	24,783	24,533	22,240	2,293
Election	4,500	5,500	5,554	(54)
Assessor	37,850	37,850	33,715	4,135
Clerk	45,575	45,575	46,046	(471)
Board of review	2,250	2,250	1,035	1,215
Treasurer	50,839	50,839	44,322	6,517
Hall and grounds	23,850	23,850	22,779	1,071
Cemetery	27,350	27,350	18,193	9,157
General administration	<u>83,126</u>	<u>104,146</u>	<u>92,236</u>	<u>11,910</u>
Total general government	<u>300,123</u>	<u>321,893</u>	<u>286,120</u>	<u>35,773</u>
Public safety - police protection	<u>21,000</u>	<u>21,000</u>	<u>-</u>	<u>21,000</u>
Public works:				
Highways and streets	77,000	77,000	42,146	34,854
Waste disposal	<u>31,000</u>	<u>31,000</u>	<u>27,047</u>	<u>3,953</u>
Total public works	<u>108,000</u>	<u>108,000</u>	<u>69,193</u>	<u>38,807</u>

Charter Township of Grass Lake
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development -				
Planning and zoning	<u>\$ 35,102</u>	<u>\$ 31,596</u>	<u>\$ 22,500</u>	<u>\$ 9,096</u>
Recreation and culture - Parks and recreation	<u>3,600</u>	<u>3,600</u>	<u>-</u>	<u>3,600</u>
Capital outlay	<u>20,000</u>	<u>2,486</u>	<u>486</u>	<u>2,000</u>
Total expenditures	<u>501,825</u>	<u>501,825</u>	<u>391,998</u>	<u>109,827</u>
NET CHANGE IN FUND BALANCES	<u>(88,110)</u>	<u>(103,578)</u>	<u>26,610</u>	<u>130,188</u>
FUND BALANCES - BEGINNING	<u>341,992</u>	<u>341,992</u>	<u>341,992</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 253,882</u>	<u>\$ 238,414</u>	<u>\$ 368,602</u>	<u>\$ 130,188</u>

Charter Township of Grass Lake**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Fire Operating Fund**

Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 202,500	\$ 202,500	\$ 198,524	\$ (3,976)
Charges for services	500	500	17,179	16,679
Interest	4,000	4,000	4,463	463
Other	-	-	513	513
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	207,000	207,000	220,679	13,679
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES				
Public safety	133,036	133,036	131,671	1,365
Capital outlay	18,800	18,800	19,963	(1,163)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	151,836	151,836	151,634	202
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER EXPENDITURES	55,164	55,164	69,045	13,881
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING USES				
Transfer out - Fire Building Fund	-	(194,738)	(194,738)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCES	55,164	(139,574)	(125,693)	13,881
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - BEGINNING	323,788	323,788	323,788	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - ENDING	<u>\$ 378,952</u>	<u>\$ 184,214</u>	<u>\$ 198,095</u>	<u>\$ 13,881</u>

Charter Township of Grass Lake

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Fire Building Fund**

Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ -	\$ 56,000	\$ 56,615	\$ 615
Interest	-	-	699	699
Total revenues	-	56,000	57,314	1,314
EXPENDITURES				
Debt service - interest	-	12,000	11,144	856
Capital outlay	-	750,000	748,221	1,779
Total expenditures	-	762,000	759,365	2,635
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	(706,000)	(702,051)	3,949
OTHER FINANCING SOURCES				
Loan proceeds	-	514,000	514,000	-
Transfer in - Fire Operating Fund	-	194,738	194,738	-
Total other financing sources	-	708,738	708,738	-
NET CHANGE IN FUND BALANCES	-	2,738	6,687	3,949
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 2,738</u>	<u>\$ 6,687</u>	<u>\$ 3,949</u>